

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

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| DIGITAL MEDIA SOLUTIONS, LLC, |) | CASE NO. 1:19-cv-145 |
| |) | |
| Plaintiff, |) | JUDGE DAN AARON POLSTER |
| |) | |
| v. |) | MAGISTRATE JUDGE |
| |) | THOMAS M. PARKER |
| SOUTH UNIVERSITY OF OHIO, LLC, <i>et.</i> |) | |
| <i>al.</i> , |) | |
| |) | |
| Defendants. |) | |

REPORT OF THE RECEIVER REGARDING PLAN TO PROVIDE ONGOING
SERVICES TO UNIVERSITIES

Mark E. Dottore, Receiver for the Receivership Entities provides this Report regarding the plan of Studio Enterprise Management LLC (“**Studio**”) to provide ongoing services to South University and AI University (the “**Studio Plan**”). The Receiver notes that the receivership estates have critical needs that are unaddressed in the Studio plan. These include:

- Providing continuing services to Western State Law School;
- Providing continuing services to AI Las Vegas;
- Preserving the books and records of the Receivership Entities consistent with the terms of the Amended Order Appointing Receiver [Dkt. No. 150];
- Preserving student records;
- Preserving and maintaining documentary evidence for the Department of Education and the Department of Labor;

- Preserving and maintaining the chain of custody for litigation which the Receiver intends to file against parties who owe the Receivership Entities money;
- Providing continuing services to displaced students, such as transcript requests; and,
- Providing continuing services to displaced employees.

The Receiver advises the Court that Studio has not paid anything—not one penny—towards any services rendered by Dream Center Education Holdings LLC (“DCEH”) to either New South or New AI after it paid pursuant to the settlement reached on February 27, 2019. New South has paid the Receiver directly to maintain services. New AI has not paid *anything* since February 27, 2019, and is riding on the platform for free. Studio’s failure to pay DCEH is in contravention of statements and assurances made in open Court that payments would be forthcoming. *See, e.g.*, 3/18/19 Tr. 17:18-19 [Dkt. No. 188] (“We’ve been paying the bills when they’re due.”).

Put another way, Studio has paid only once, and that was after the Receiver sued Studio. Regardless of how the amount is calculated, whether under the existing transactional documents or by calculating the real costs of providing the services and passing that cost to the participant universities¹, Studio is not a reliable partner.

¹ Such an itemization of cost would include the lease of the physical computer center in Pittsburgh and other fees and costs that are not part of the transactional documents, but would be reduced by the cost reductions imposed to date by the Receiver. Overall the cost would be lower than the costs in the transactional documentation.

Dated: April 18, 2019

Respectfully submitted,

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Special Counsel for the Receiver

CERTIFICATE OF SERVICE

The foregoing was electronically filed on April 18, 2019. Notice of this filing will be sent to all parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

/s/ Mary K. Whitmer
Mary K. Whitmer